HLA workshop at AidEx 14<sup>th</sup> November

Managing the humanitarian supply chain
Peter Jones, Logistics Learning Alliance

Making a difference to disaster

Humanitarian Logistics Association

DURBIN

VALLIS

Humanitarian Logistics Association
Managing the Humanitarian Supply Chain

Peter Jones
Managing Director
Logistics Learning Alliance Ltd
The Supply Chain

SUPPLY

PRIMARY GOODS FLOW

PURCHASE

“BUY”

PRODUCTION

“MAKE”

LOGISTICS

“MOVE”

PROGRAMME

“DISTRIBUTE”

INFORMATION FLOWS

INFORMATION FLOWS

REVERSE GOODS FLOW

DEMAND

RAW MATERIALS

SUPPLIERS

SUPPLIER

FINISHED GOODS

BENEFICIARY
Phases of Humanitarian Aid

These fall into 4 headers

Rapid onset

Slow onset

Endemic

Complex emergency

Not to be confused with 4 phases of Emergency Management

The Four Phases of Emergency Management

Mitigation

Preparedness

Response

Recovery
Phases of the Operation / Program Life Cycle

Operation Scale

0

Predict

Warn

Respond

Rehabilitate

Reconstruct

Scale Up
Launch
Bid/
Assess

Operation

Scale Down

Close Down

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TYPES OF HUMANITARIAN SUPPLY CHAINS

MANAGING THE FLOW

Response Time

LONG

SHORT

Level of Uncertainty

LOW

HIGH

PULL

CALL FORWARD

PREPARE

PUSH
Delivering Value

Value for who?

- Donors
- Our organisation
- The beneficiaries

\[ V = \frac{(Q*S)}{(C*T)} \]
# PERFORMANCE METRICS

<table>
<thead>
<tr>
<th>Supply Chain Management Metric</th>
<th>Supply Chain Reliability</th>
<th>Supply Chain Flexibility/Responsiveness</th>
<th>Supply Chain Cost</th>
<th>Supply Chain Asset Management</th>
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<tbody>
<tr>
<td>Delivery performance</td>
<td>X</td>
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<tr>
<td>Order fulfilment performance</td>
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<tr>
<td>Perfect order fulfilment</td>
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<tr>
<td>Supply chain response time</td>
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<tr>
<td>Production flexibility</td>
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<tr>
<td>Total logistics cost</td>
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<tr>
<td>Value added productivity</td>
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<tr>
<td>Inventory days of supply</td>
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<td>Asset turns</td>
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EFFECTS OF TIME

**PROCUREMENT TO STOCK**
- Supplier: 26±20
- PORT 1-7: 5±2
- Warehouse 1-7: 5+2

**DELIVERY TO BENEFICIARY**
- Warehouse 1+7: 5±1
- Distribution Point 1+7: 2+1
- Beneficiary: 5±1
To determine the Cost to Serve the supply chain activities must be identified. For each activity a cost driver is identified:

- Order processing
- Procurement
- Manufacturing
- Inventory
- Warehousing
- Transport
- Information Systems
Managing the Humanitarian Supply Chain - Why Cash

- Align the humanitarian system better with what people need, rather than what humanitarian organizations are mandated to provide
- Increase transparency of humanitarian aid, including by showing how much aid actually reaches the target population
- Increase accountability of humanitarian aid, both to affected populations and to the tax-paying public in donor countries
- Reduce costs of delivering humanitarian aid, and so make limited budgets go further
- Support local markets, jobs, and incomes of local producers
- Increase support for humanitarian aid from local populations
- Increase the speed and flexibility of humanitarian response
- Increase financial inclusion by linking people with payment systems
- Most importantly, provide affected populations with choice and more control over their own lives
Cash Transfer Programme

Are needed goods available in local or neighbouring markets?

YES

Are these markets used by the target population and accessible?

YES

Are needed goods available in the market in sufficient quantity? If not, are vendors willing and able to increase their supply of goods to meet increased demand? Is the market functioning competitively?

YES

CTP requires a functioning market. If needed goods are unavailable or available only in limited quantities, consider in-kind distributions instead.

NO

Consider different groups’ access to the market by sex, age, ethnicity, religion, etc.

NO

“Sufficient quantity” refers to an amount of goods sufficient to supply our beneficiaries and other consumers without creating a shortage of goods or a large spike in prices.

Consider in-kind distributions. They may not be appropriate for early emergency response, however.

NO

“Competitively” means that sufficient vendors are in the market to allow consumers choice and to keep prices near “normal” levels.

Consider in-kind distributions. Goods could be procured from nearby markets or larger vendors to avoid negatively impacting the local markets (scarcity and inflation).
Does inflation significantly impact the target population’s ability to buy needed goods? Are prices expected to increase in the coming months (outside of normal seasonal fluctuations)?

- **NO**

Is it safe to distribute cash? Is it safe for beneficiaries to receive/carry cash from the distribution site?

- **YES**

  Consider safety may vary by sex, age, ethnicity, religion, etc.

- **NO**

  Consider transportation constraints, government restrictions, price trends and seasonality.

  Consider in-kind distributions or commodity vouchers (only if the price increase is not due to a shortage in supply). In-kind distributions may help to stabilize prices, but may push some vendors out of the market, so be sure to study the reasons for inflation before choosing an intervention.

  Consider cash vouchers or cash transfers through e-transfers. These types of CTP can mitigate security concerns around carrying cash and can be voided in the event of theft. (E-transfers may pose additional barriers related to technology use.)

Shops in camp
Or shops in local village?
Impact of Cash Transfer Programmes

Challenges:
Cash based transfers have several limitations:

• High fees to financial service providers
• Financial risk of insolvency
• Sharing beneficiaries data
• Reliance on vendor and lack of direct control over operations
Traditional Information Flows

Feedback

ORDER

PROGRESS

DELIVER

PAY

REVIEW

NEED

SPECIFY

SOURCING

ENQUIRE

EVALUATE

NEGOTIATE
Issues with Humanitarian Supply Chains

Challenges in Humanitarian Supply Chains:
- Lack of trust
- Many organisations involved across the chain
- Inefficient collaboration
- Cost inefficiencies
- Fraud
- Centralisation
Block Chain

“The reality is that in a disaster cycle, everyone has a piece of information, everyone has a piece of that picture. The more that people are able to share information data across ecosystems, and the more information that people have to utilise, then we’ll really see disaster response be able to be more “

Benefits of Blockchain:

- Blockchain makes cash transfers more efficient, secure and transparent
- Reduction of transaction costs
- More secure transactions
- No need to share beneficiaries data
- Boosting digital financial inclusion
- Inter-agency operability
Block chain in the Humanitarian Sector

Supply Chain Tracking and Transparency

- Information And Data Collection
- Identification And Documentation
- Distributed Transparent Tamper-Proof Traceable Secure
- Humanitarian Financing
- Cash Programming
- Donor/Crowd Funding

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SUPPLY CHAIN MANAGEMENT

- Connecting demand and supply
- Synchronising activity with supply chain partners
- Optimising from source to consumption
- Making goods available
- Managing variability and uncertainty
- Making demand visible across the supply chain
- Compressing time
- Reducing supply chain complexity
Questions/Thoughts/Comments
Making a difference to disaster

HLA workshop at AidEx 14th November

Discussion: the future of humanitarian aviation/freight services and last mile delivery
Panel discussion

George Fenton, HLA
Stuart Smith, Volga Dnepr
Christian Georlette, ASF International
Pauli Immonen, ASF International
Romain Gauduchon, DAC Aviation
Any questions?

Thanks